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February 25, 2016

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P. O. Box 3265
Harrisburg, Pennsylvania 17105-3265

Re: Duquesne Light Company 2012 Focused Management and Operations Audit
2015 Implementation Plan Progress Report
Docket No. D-2011-2269361

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Duquesne Light Company, please find the third and final of three annual progress reports required by the Pennsylvania Public Commission's Secretarial Letter dated March 14, 2013 related to the Bureau of Audit's Focused Management and Operations Audit.

If you have any questions regarding the information contained in this filing, please contact myself or Audrey Waldock at 412-393-6334 or awaldock@duqlight.com.

Sincerely,

Shelby Linton-Keddie
Manager, State Regulatory Affairs
And Senior Legal Counsel

Enclosure

cc: Mr. Dennis P. Hosler, Director - Bureau of Audits
Mr. George A. Dorow, Jr., Supervisor - Bureau of Audits

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Implementation Plan Progress Report

**Prepared in Response to the
PaPUC February 2013 Focused Management and Operations Audit of
Duquesne Light Company**

Issued February 25, 2016

Docket No. D-2011-2269361

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EXECUTIVE SUMMARY

Duquesne Light Company (Duquesne or DLC) accepted each of the ten recommendations set forth in the Focused Management and Operations Audit Report issued by the PA Public Utility Commission, and on February 19, 2013, submitted an Implementation Plan to address each of them. Contained herein is the third and final of the annual progress reports as required by the Commission's March 14, 2013 Secretarial Letter. As of December 31, 2015, Duquesne had fully implemented or satisfied all ten of the audit recommendations.

The current status of Duquesne's implementation steps for each of the Commission's recommendations are shown in detail below.

Recommendation III-1: Rotate the external audit firm on a periodic basis, or at a minimum, ensure the external audit firm has established a policy to periodically assure rotation of its audit manager and audits teams.

Implementation Step 1:

- Compile information on external audit firm rotation practices for peer companies and benchmark the results against DLC's practices.

2015 Status: Completed

Implementation Step 2:

- Obtain from DLC's current external audit firm its policies to periodically assure rotation of its audit manager and audit teams. Review this policy with the DLC Audit Committee and establish an internal policy to assure this information is presented to DLC management and the DLC Audit Committee on an annual basis.

2015 Status: Completed

Recommendation IV-1: Examine the overall management structure of Duquesne periodically and adjust reporting relationships, where appropriate, to eliminate unjustified low or high spans of control.

Implementation Step 1:

- Perform an analysis of the overall management structure of Duquesne to review overall spans of control. Identify spans of control outside the range of 1:4 to 1:10. Human Resources will follow up with any departments having such spans to determine whether there is sound rationale for these spans to exist, and, if so, document the rationale.

2015 Status: Completed

Recommendation V-1: Submit a detailed, written explanation for each dividend payout exceeding 85% of net income to the Commission within 30 days after public release of this audit report, and ensure that advance notice and explanations are submitted to the Commission prior to making future dividend payments in excess of 85% of net income.

Implementation Step 1:

- A written explanation for each dividend payout that exceeded 85% of net income will be provided to the Commission within 30 days after the public release of the audit report.

2015 Status: Completed

Implementation Step 2:

- Advance notice and explanation of future annual dividend payments will be provided to the Commission prior to making future annual dividend payments in excess of 85% of annual net income.

2015 Status: Completed and Ongoing

Recommendation VI-1: Conduct periodic audits of the entire cost allocation process.

Implementation Step 1:

- The Company will perform an internal audit of the cost allocation process at least once within each three (3) year internal audit plan (IAP). This audit will be included as part of the next IAP (covering 2013 – 2015) scheduled for approval by the Company's Audit Committee in February 2013.

2015 Status: Completed and Ongoing

Recommendation VI-2: Develop a comprehensive cost allocation manual to provide step by step guidance in processing cost allocations and help ensure uniformity in the handling of affiliate transactions.

Implementation Step 1:

- Utilizing the National Association of Regulatory Utility Commissioners (NARUC) Guidelines for Cost Allocations and Affiliate Transactions as a basis, develop a comprehensive cost allocation manual to ensure uniformity in the handling of affiliate transactions.

2015 Status: Completed

Implementation Step 2:

- Develop a plan for communication of the cost allocation manual to all personnel within the organization. Identify personnel across the organization that should receive formal training on the contents of the cost allocation manual and conduct such training.

2015 Status: Completed

Recommendation VII-1: Conduct a staffing study to analyze the costs and benefits of reducing overtime through various practices such as adjusting levels of shift work, relocating personnel between districts, hiring additional craftworkers, and/or using more outside contractor hours.

Implementation Step 1:

- Perform analysis of historical and planned work to develop model for Overhead, Underground, and Substation personnel to ensure appropriate staffing levels exist.

2015 Status: Completed & Ongoing

Recommendation VII-2: Expand the databases used to track and monitor third-party damages and claims to include all pertinent information regarding types of damages, names or parties, invoiced amounts, settled amounts, and settlement reasons in order to better identify the causes of and control third party damages.

Implementation Step 1:

- Expand the database to track the following information and make that information searchable: 1) amount collected against the invoiced amount; 2) settlement reasons; 3) name or party; 4) type of damage.

2015 Status: Completed

Implementation Step 2:

- Conduct quarterly review of database in order to identify contractors or individuals who cause damage to DLC or other property on multiple occasions.

2015 Status: Completed and Ongoing

Recommendation VII-3: Strive to achieve average or better Occupational Safety and Health Administration (OSHA) recordable incident rates by monitoring and continually modifying safety programs to address the most current safety issues at the Company.

Implementation Step 1:

- Conduct a Safety Leadership course for all Supervisors and Union leaders. The purpose of this workshop is to equip our leaders with the important insights, strategies, and tools necessary to achieve and sustain a culture of safety, including:
 - *Focusing on identified risks and issues that organizational personnel have identified.*
 - Establishing specific individual accountabilities and activities that integrate safety management principles and processes into the daily operation of the business.
 - Establishing a positive safety culture built upon “catching employees doing things right”.
 - Determining what is important to an organization and how this maps to the current safety performance.

- Presenting and discussing insights into effective safety management, including:
 - What works in safety and what does not
 - Root Causes of Incidents.
 - The incident reaction cycle.

2015 Status: Completed

Implementation Step 2:

- Duquesne will train over 600 field employees in Human Performance. Training has been developed to provide workers with a structured and systematic approach to performing all tasks. This training also looks at organizational processes to identify causes of *organizational and individual performance gaps*. The program will provide new solutions to improve and sustain human performance. Training employs methods such as STAR (Stop Think Act Review).

2015 Status: Completed

Implementation Step 3:

- Annually review Duquesne Light Company's OSHA recordable incident rate, and modify safety programs to address current safety issues.

2015 Status: Completed and Ongoing

Recommendation VIII-1: Enhance current measures to reduce residential customer arrearages.

Implementation Step 1:

- Segment customers based on an internal credit behavioral score as well as specific customer classes. These segmentations will be completed in conjunction with the deployment of Duquesne's new Customer Information System (CIS).

2015 Status: Completed and Ongoing

Implementation Step 2:

- Evaluate and implement new outbound call campaigns. These evaluations and implementations will be completed in conjunction with the deployment of Duquesne's new CIS.

2015 Status: Completed and Ongoing

Recommendation VIII-2: Examine potential policy, procedures and staffing level changes that may be necessary to efficiently respond to the increasing levels of customer complaints and Payment Arrangement Requests (PARs).

Implementation Step 1:

- Review staffing levels in the Regulatory Consumer Relations group and make *recommendations with respect to whether changes are needed.*

2015 Status: Completed

Implementation Step 2:

- Review process that has been used to respond to informal complaints and PARs in 2012 and determine the time frames needed to complete each step and what process improvements or procedures can be implemented to increase efficiency.

2015 Status: Completed

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation III-1: Rotate the external audit firm on a periodic basis, or at a minimum, ensure the external audit firm has established a policy to periodically assure rotation of its audit manager and audits teams.

Audit Report Reference: Chapter III, Page 16

Company Response: Accepted.

Responsible Individual(s): Matt Ankrum
Controller
Finance

Description of Implementation Steps/Anticipated Date of Completion:

1. Compile information on external audit firm rotation practices for peer companies and benchmark the results against DLC's practices.

Date of Completion: 3rd Quarter 2013

2015 Implementation Status Update: Completed

Description of Implementation Steps/Anticipated Date of Completion:

2. Obtain from DLC's current external audit firm its policies to periodically assure rotation of its audit manager and audit teams. Review this policy with the DLC Audit Committee and establish an internal policy to assure this information is presented to DLC management and the DLC Audit Committee on an annual basis.

Date of Completion: 4th Quarter 2013

2015 Implementation Status Update: Completed

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation IV-1: Examine the overall management structure of Duquesne periodically and adjust reporting relationships, where appropriate, to eliminate unjustified low or high spans of control.

Audit Report Reference: Chapter IV, Page 21

Company Response: Accepted.

Responsible Individual(s): Todd Faulk
Vice President, Human Resources

Description of Implementation Steps/Anticipated Date of Completion:

1. Perform an analysis of the overall management structure of Duquesne to review overall spans of control. Identify spans of control outside the range of 1:4 to 1:10. Human Resources will follow up with any departments having such spans to determine whether there is sound rationale for such spans to exist, and document the rationale.

Original Date of Completion: 4th Quarter 2013

Revised Date of Completion: 4th Quarter 2014

Date of Completion: 1st Quarter 2015

2015 Implementation Status Update: Completed

An assessment of the management structure of Duquesne was completed 4th quarter 2014. The report of the findings was finalized February 2015.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation V-1:	Submit a detailed, written explanation for each dividend payout exceeding 85% of net income to the Commission within 30 days after public release of this audit report, and ensure that advance notice and explanations are submitted to the Commission prior to making future dividend payments in excess of 85% of net income.
Audit Report Reference:	Chapter V, Page 28
Company Response:	Accepted.
Responsible Individual(s):	James Milligan, Assistant Treasurer Finance

Description of Implementation Steps/Anticipated Date of Completion:

1. A written explanation for each dividend payout that exceeded 85% of net income will be provided to the Commission within 30 days after the public release of the audit report.

Date of Completion: 30 days after the public release of the audit report.

2015 Implementation Status Update: Completed

2. Advance notice and explanation of future annual dividend payments will be provided to the Commission prior to making future annual dividend payments in excess of 85% of annual net income.

Date of Completion: Ongoing.

2015 Implementation Status Update: Completed and Ongoing

The Company is required to file notice with the Commission whenever dividend payments are in excess of 85%. In 2015, the Company's dividends were below the 85% threshold so there was no reporting requirement. The Company will continue with its reporting requirements as appropriate.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VI-1:	Conduct periodic audits of the entire cost allocation process.
Audit Report Reference:	Chapter VI, Page 36
Company Response:	Accepted.
Responsible Individual(s):	Christian Wilson Manager, Internal Audit

Description of Implementation Steps/Anticipated Date of Completion:

1. The Company will perform an internal audit of the cost allocation process at least once within each three (3) year internal audit plan (IAP). This audit will be included as part of the next IAP (covering 2013 – 2015) scheduled for approval by the Company's Audit Committee in February 2013.

Date of Completion: The exact timing and scope of the audit will be determined upon completion of Duquesne's Cost Allocation Manual (CAM) per Recommendation VI-2

2015 Implementation Status Update: Completed and Ongoing

Duquesne Light Company's (DLC) Internal Audit Department has completed the Cost Allocation Manual audit started in 2015. The report was issued final in February 2016 and distributed to members of the Company's Audit Committee, Senior Management and responsible area personnel in accordance with established reporting protocols. This audit is currently scheduled to be performed again in the 2017 internal audit year.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VI-2: Develop a comprehensive cost allocation manual to provide step by step guidance in processing cost allocations and help ensure uniformity in the handling of affiliate transactions.

Audit Report Reference: Chapter VI, Page 36

Company Response: Accepted.

Responsible Individual(s): Matt Ankrum
Controller
Finance

Description of Implementation Steps/Anticipated Date of Completion:

1. Utilizing the National Association of Regulatory Utility Commissioners (NARUC) Guidelines for Cost Allocations and Affiliate Transactions as a basis, develop a comprehensive cost allocation manual to ensure uniformity in the handling of affiliate transactions.

Date of Completion: 3rd Quarter 2013

2015 Implementation Status Update: Completed

2. Develop a plan for communication of the cost allocation manual to all personnel within the organization. Identify personnel across the organization that should receive formal training on the contents of the cost allocation manual and conduct such training.

Date of Completion: 3rd Quarter 2013

2015 Implementation Status Update: Completed

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VII-1: Conduct a staffing study to analyze the costs and benefits of reducing overtime through various practices such as adjusting levels of shift work, relocating personnel between districts, hiring additional craftworkers, and/or using more outside contractor hours.

Audit Report Reference: Chapter VII, Page 50

Company Response: Accepted.

Responsible Individual(s): Alex Burns
Senior Manager
Budgeting and Project Management

Description of Implementation Steps/Anticipated Date of Completion:

1. Perform analysis of historical and planned work to develop model for Overhead, Underground, and Substation personnel to ensure appropriate staffing levels exist.

Date of Completion: 3rd Quarter 2013

2015 Implementation Status Update: Completed and Ongoing

In 2014, a cross functional Business Improvement Team was assigned to address the efficient use of overtime on a corporate wide level. The team reviewed the overall overtime and determined that the most impact could be obtained by focusing on overhead, underground, substations, and the operations center. The team then verified the root causes and prioritized them based on the impact they each have on overtime.

The concepts learned from the Business Improvement Team were continued throughout 2015. The efforts have resulted in a decrease of average overtime per full time equivalent in the reviewed combined areas (overhead, underground, substations, and operations) to 21%.

	2010	2011	2012	2013	2014	2015
Overhead	40%	33%	25%	36%	19%	18%
Operator	31%	30%	30%	31%	29%	32%
Substation	36%	37%	33%	33%	32%	22%
Underground	32%	28%	22%	31%	27%	24%
Average	37%	33%	27%	34%	24%	21%

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VII-2: Expand the databases used to track and monitor third-party damages and claims to include all pertinent information regarding types of damages, names or parties, invoiced amounts, settled amounts, and settlement reasons in order to better identify the causes of and control third party damages.

Audit Report Reference: Chapter VII, Page 50

Company Response: Accepted.

Responsible Individual(s): Lisa Steele
Assistant General Counsel
Office of General Counsel

Description of Implementation Steps/Anticipated Date of Completion:

1. Expand the database to track the following information and make that information searchable: 1) amount collected against the invoiced amount; 2) settlement reasons; 3) name or party; 4) type of damage.

Date of Completion: 1st Quarter 2013.

2015 Implementation Status Update: Completed

2. Conduct quarterly review of database in order to identify contractors or individuals who cause damage on multiple occasions.

Date of Completion: 2nd Quarter 2013 and Ongoing.

2015 Implementation Status Update: Completed and Ongoing

Review of the third-party damage and claims database to identify contractors or individuals who cause damages on multiple occasions was implemented with a quarterly report starting April 2013. Claims continue to be reviewed on a quarterly basis.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VII-3: Strive to achieve average or better Occupational Safety and Health Administration recordable incident rates by monitoring and continually modifying safety programs to address the most current safety issues at the Company.

Audit Report Reference: Chapter VII, Page 50

Company Response: Accepted.

Responsible Individual(s): Dan Wesolowski, PE, CSP
Senior Manager
Health, Safety and Environment

Description of Implementation Steps/Anticipated Date of Completion:

1. Conduct a Safety Leadership course for all Supervisors and Union leaders. The purpose of this workshop is to equip our leaders with the important insights, strategies, and tools necessary to achieve and sustain a culture of safety; including:
 - Focusing on identified risks and issues that organizational personnel have identified
 - Establishing specific individual accountabilities and activities that integrate safety management principles and processes into the daily operation of the business
 - Establishing a positive safety culture built upon “catching employees doing things right”
 - Determining what is important to an organization and how this maps to the current safety performance
 - Presenting and discussing insights into effective safety management, including:
 - What Works in Safety and What Doesn’t
 - Root Causes of Incidents
 - The Incident Reaction Cycle

Date of Completion: 2nd Quarter 2013.

2. Duquesne Light will train over 600 field employees in Human Performance. Training has been developed to provide workers with a structured and systematic approach to performing all tasks. This training also looks at organizational processes to identify causes of organizational and individual performance gaps. The program will provide new solutions to improve and sustain human performance. Training employs methods such as STAR (Stop Think Act Review).

The STAR technique boosts attention at important points in an activity before a specific act is executed. The performer pauses to focus his or her attention, taking a moment to reflect on

the intended action, the component, and its expected outcome. The performer thinks about whether the proposed action is the right action for the situation.

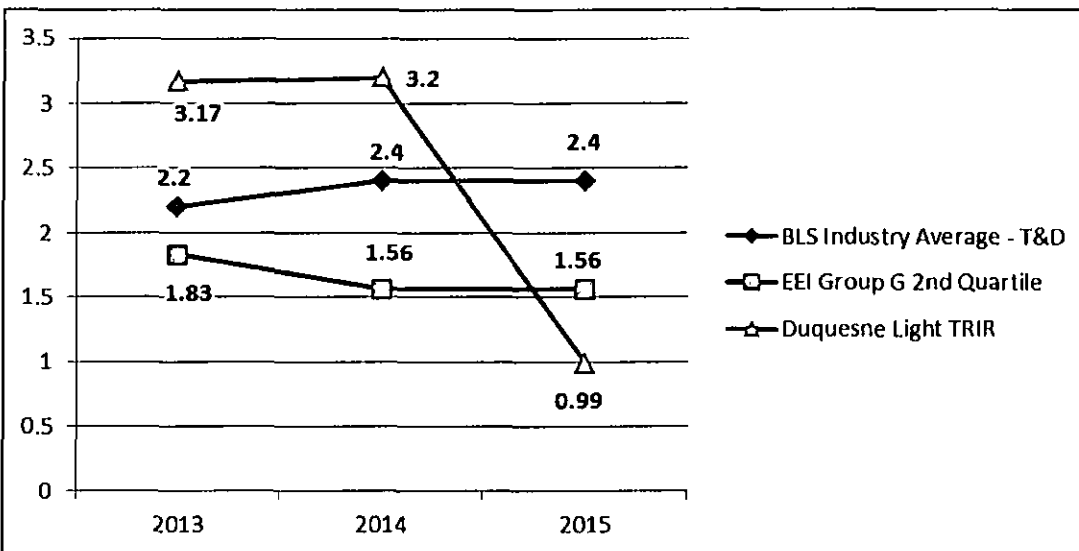
Date of Completion: 2nd Quarter 2013.

3. Annually review Duquesne Light Company's OSHA recordable incident rate, and modify safety programs to address current safety issues.

Date of Completion: 4th Quarter 2013 and Ongoing

2015 Implementation Status Update: Completed & Ongoing

The chart below includes data for OSHA recordable injury incident rate for DLC for the past 3 years. The chart also shows comparison to average industry performance as measured by latest data available from the Edison Electric Institute (EEI) and the U.S. Bureau of Labor Statistics (BLS) for the electric transmission and distribution industry. As indicated, DLC achieved a step change improvement in incident rates last year, and the company is now in fact in top quartile performance as compared to our EEI peer group.



2015 Implementation Status Update:

In addition to those safety improvement initiatives described in prior Implementation Plan Progress Reports, additional initiatives which were either initiated or continued in 2015 are described below. These are part of the ongoing journey of continual improvement of safety management systems and performance at DLC.

- **Management Safety Leadership and Accountability** – DLC Senior Leadership continued to drive improvements through increased visibility and a clearly communicated safety vision. Employee safety is a core value at DLC and is measured on our corporate key performance scorecard. Senior Leadership drove change by

outlining a roadmap which included reinforced expectations of middle management. Several safety initiatives helped drive our culture change such as; enhancing our incident investigation process, jobsite observations, expanding our site safety teams, and driving change through focused safety improvement teams.

- **Safety Continuous Improvement Teams** – Strategic cross-functional teams, made up of management and union personnel, were empowered to drive a culture change through seven specific focus areas; Driving Excellence, Communication and Recognition, Injury Avoidance, Work Practice and Equipment, Site Safety Teams, Supervisor–led Safety Meetings, and Pre-Job Briefings.
- **Compliance with Laws & Regulations** – For the first time since 1994 OSHA revised its regulation pertaining to the electric utility industry. DLC formed cross functional teams to tackle the new and revised provisions for host and contract employers, fall protection for employees climbing poles, towers and other structures, arc flash protection, and minimum approach distances. The finalized rules and processes further protected our employees from hazards associated with our work.
- **Safety Handbook** – The employees Safety Handbook was revised and issued in 2015 as well as a second revision early 2016, which helped to communicate safety expectations in a user friendly format. In addition, a process was defined for developing, revising, reviewing, and communicating revisions to the Safety Handbook, including active engagement of the workforce.
- **Managing employees with multiple injuries/accidents** – a policy and process was established to improve safety performance of employees who have had significantly higher than normal frequency of injuries and preventable motor vehicle accidents. The purpose of the program is to work with these employees to develop a systematic approach to help them avoid future injuries or PMVAs by teaching them to identify hazards/at-risk behaviors and choose safe behavior.
- **Safety, Health and Environmental (SHE) organization** – the capabilities of the support organization has been enhanced over the last several years and now has the equivalent of 4 full time equivalents focusing on occupational safety. In comparison, 2012 Duquesne Light had only 1 full time employee focusing on occupational safety. This approach has allowed our team to have a stronger field presence, interact regularly with the business line, and assist leadership teams in driving improvements and building a stronger safety culture.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VIII-1:	Enhance current measures to reduce residential customer arrearages.
Audit Report Reference:	Chapter VIII, Page 62
Company Response:	Accepted.
Responsible Individual(s):	Bernard Molchany Director Customer Revenue Management

Description of Implementation Steps/Anticipated Date of Completion:

1. Segment customers based on an internal credit behavioral score as well as specific customer classes. These segmentations will be completed in conjunction with the deployment of Duquesne's new Customer Information System.

Original Date of Completion: 4th Quarter 2013.

Revised Date of Completion: July 2014.

Date of Completion: November 2014.

2015 Implementation Status Update: Completed

The Company implemented a new Customer Care and Billing System (CC&B) in late November 2014. In 2015, Duquesne continued to develop and implement processes to address collections and severance activities as part of the CC&B rollout.

2. Evaluate and implement new outbound call campaigns. These evaluations and implementations will be completed in conjunction with the deployment of Duquesne Light's new Customer Information System.

Anticipated Date of Completion: 4th Quarter 2013.

Revised Date of Completion: July 2014.

Date of Completion: November 2014.

2015 Implementation Status Update: Completed and Ongoing

Duquesne proactively reaches out to customers via a residential pre-collections call prior to accounts reaching a collections stage and via telephone calls to overdue commercial accounts. Duquesne continues with campaigns targeted to reduce arrearages including LIHEAP referral campaign, CAP referral campaign, Dollar Energy Fund Referral campaign and Promotion of eBill and Electronic Payment.

IMPLEMENTATION PLAN

Duquesne Light Company Response to Focused Management and Operations Audit

Recommendation VIII-2: Examine potential policy, procedures and staffing level changes that may be necessary to efficiently respond to the increasing levels of customer complaints and Payment Arrangement Requests.

Audit Report Reference: Chapter VIII, Page 62

Company Response: Accepted.

Responsible Individual(s): Marie Tamilya
Supervisor, Regulatory Consumer Relations
Office of General Counsel

Description of Implementation Steps/Anticipated Date of Completion:

1. Review staffing levels in the Regulatory Consumer Relations group and make recommendations with respect to whether changes are needed.

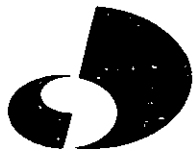
Date of Completion: 2nd Quarter 2013

2015 Implementation Status Update: Completed

2. Review process that has been used to respond to informal complaints and PARs in 2012 and determine the time frames needed to complete each step and what process improvements or procedures can be implemented to increase efficiency.

Date of Completion: 4th Quarter 2013

2015 Implementation Status Update: Completed



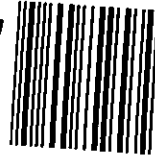
Duquesne Light

A DQE Company

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